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Supreme Court of the United States

OCTOBER TERM, 1925.

No. 87.

INDEPENDENT WIRELESS TELEGRAPH
COMPANY,

Petitioner,

vs.

RADIO CORPORATION OF AMERICA,

Respondent.

On a Writ of Certiorari to the United States Circuit
Court of Appeals for the Second Circuit.

BRIEF FOR RESPONDENT.

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BRIEF FOR RESPONDENT.

GENERAL STATEMENT.

This case comes before this Court on a writ of certiorari to review the decision of the Circuit Court of Appeals for the Second Circuit reversing a decision of the District Court for the Southern District of New York dismissing the bill of complaint (R. p. 58, 297 Fed. 518).

The District Court dismissed the bill on petitioner's motion, upon the ground that the DeForest Radio Telephone & Telegraph Company was the owner of the patents in suit, was not before the court because it had not signed the bill, but had been simply named in the caption of the bill as a party plaintiff, and had thus been joined without its consent. (R. pp. 50-53, 297 Fed. 518.)

The Circuit Court of Appeals assumed *arguendo* that the DeForest Radio Telephone & Telegraph Company was the owner of the patents in suit and then held that

respondent's license entitled it to sue in the name of the patent owner.

QUESTIONS PRESENTED.

The questions before this Court are:

(1) Is the DeForest Company vested with the legal title to the patent in suit?

(2) Assuming that the DeForest Company is vested with such title, was it properly joined as a party plaintiff without its consent, other than that expressed in or which may be implied from the agreement of March 16, 1917, hereafter referred to?

THE FACTS.

(1) The suit was brought by the respondent with the DeForest Company as a party plaintiff, against the petitioner, the Independent Wireless Telegraph Company for infringement of the DeForest patents Nos. 841,387 and 879,532, relating to improvements in vacuum tubes for radio purposes.

The bill alleges that the DeForest Company has certain rights in the patents; that before the bill was filed the DeForest Company was requested to join as a party plaintiff, but declined; that it is a Delaware corporation and outside the jurisdiction of the court, and therefore could not be made a defendant. Consequently, in order to prevent a failure of justice and enable the respondent to protect its exclusive rights under the patents, the DeForest Company is made a party plaintiff. (R. p. 7; Bill, par. 25.)

The bill is signed and verified by the respondent. It is not signed or verified by the DeForest Company or its solicitors. (R. pp. 60, 61.)

The DeForest Company is not only named in the caption of the bill, but it is one of the plaintiffs referred

to throughout the bill and it has raised no objection to being joined in this manner as a party plaintiff.

(2) The bill alleges that the Telephone Company is a New York corporation, and a citizen, resident and inhabitant of the Southern District of New York; that it has certain rights and interests in the patents in suit, and that before bringing the suit it was requested to join as a plaintiff, but declined, and therefore was made a defendant. (R. p. 1, Bill, Pars. 3, 4.)

The Telephone Company has made no objection to being joined as a party defendant.

(3) The charge of infringement is based upon the use by the petitioner, at its shore stations, in **receiving commercial* wireless telegraph communications for pay or profit, particularly from ships and vessels, of the patented tubes sold or disposed of by the respondent and purchased or acquired by the petitioner with notice and knowledge that the tubes were licensed for amateur or experimental purposes only. (R. pp. 4, 6; Bill, Pars. 16-22.)

(4) Prior to March 16, 1917, the entire right, title and interest in the patents in suit was vested in the DeForest Company, except for certain licenses then outstanding in the Telephone Company. (R. p. 2, Bill, Par. 7.)

Thereafter additional and extensive rights in the patents in suit were transferred by *mesne* assignments to the Telephone Company.

The rights of the DeForest and Telephone Companies and the respondent in the patents in suit, at the time of the infringement and the bringing of the suit, are based upon the following agreements pleaded in and made a part of the bill. (R. pp. 2, 3, Bill, Pars. 8, 9.)

*Italics used herein are ours unless otherwise stated.

THE DEFOREST-WESTERN ELECTRIC COMPANY AGREEMENT.

(1) On March 16, 1917, the DeForest Company and the Western Electric Company entered into an agreement which recited that the former owned and controlled the patents in suit and other patents and applications referred to in schedules A and B, subject to certain rights granted to one Meyers, then owned by the Telephone Company, and that the Western Company desired to acquire rights in such patents and applications. (R. p. 2, Bill, par. 8, Agt. R. p. 17.)

After granting a "license" "*free from all royalties or other payments*" except the consideration mentioned in the agreement and after referring to the schedules and other details, the agreement provides (R. p. 18) that:

"The said license is granted and to be granted under United States patents only, and for the full terms of the said patents granted or to be granted, and the license is granted for *all transferable rights of said DeForest Company of any kind or nature whatsoever in said inventions, patents and applications*, except the rights hereinafter expressly reserved to itself by the DeForest Company. The said license granted and to be granted to the Western Company is *exclusive* except for the aforesaid rights now held by the American Telephone and Telegraph Company and except for the rights expressly reserved herein by the DeForest Company."

(2) The reserved rights are stated in the agreement (R. pp. 18, 19) as follows:

"(1) *Non-exclusive* assignable rights to make, use and sell for the synthetic production of music."

(Sub-divisions (2) and (3) do not relate to the patents in suit.)

"(4) *Non-exclusive, non-transferable, personal* rights with respect to radio communication, under

all the patents, applications and inventions included in this agreement, for the following purposes only:

“(a) To *make* for and *sell* to the United States Government for its use;

“(b) To *make* for and *sell* to amateurs for use solely by said amateurs;

“(c) To *make* for and *sell* to private users *who do not, for pay*, transmit or receive messages or establish communications, for use only in establishing communication between different offices or departments of the same business;

“(d) To *make* and *sell* for use on ships *which do not, for pay*, transmit or receive messages or establish communications;

“(e) To *make* and *use* for the radio *distribution* of news and music;

“(f) To *make* and *sell* for use receiving apparatus for the reception of said news and music *but not for use in receiving messages for pay*.

“(g) To *make*, *use* and *sell* to others for use in the reproduction of words or music from telegraphophone and graphophone records.”

(3) The agreement also provides:

“that the Western Company, its successors, legal representatives and assigns, and the DeForest Company may, respectively, institute and conduct suits against others for infringement of any of said patents within the fields in which it possesses rights, but all of such suits shall be conducted at the expense of the party bringing them, which party shall be entitled to retain any judgment recovered in any such suits” (R. p. 19).

(4) Under the agreement

“the Western Company, its successors and assigns may transfer to others, in whole or in part, the rights granted by this instrument, and may assign

rights hereunder, or grant licenses to various persons, firms or corporations for the several uses to which the inventions are applicable." (R. pp. 20, 21.)

(5) On May 24, 1917, the Western Company transferred to the Telephone Company all of the former's right, title and interest in, to and under this agreement of March 16, 1917. (R. pp. 21, 22.)

Thus, *all rights* granted by the patent in suit, except the *non-exclusive* rights reserved by the DeForest Company, resided in the Telephone Company on and after May 24, 1917.

THE EXCLUSIVE LICENSES OF THE RESPONDENT.

(1) On November 20, 1919, the General Electric Company entered into an agreement with the respondent by which it granted to it certain licenses, including a non-exclusive license, to make under certain conditions, and an *exclusive* license, to *use and sell* devices for radio purposes under all patents, applications for patents, inventions and rights or licenses under or in connection with patents then owned by the General Electric Company *or thereafter acquired by it*. (R. p. 3; Bill, Par. 9, R. pp. 22, 23.)

At the time this agreement was entered into the General Electric Company had no interest in the patents in suit.

(2) On July 1, 1920, however, the Telephone Company and the General Electric Company entered into an agreement which conferred upon the General Electric Company certain rights and licenses under the patents in suit. These licenses included

(A) "exclusive licenses in the field of wireless telegraphy", (R. p. 38, Art. V, Sec. 2 (b)) and

(B) "exclusive licenses to make, use, lease and

sell all wireless telephone apparatus for amateur purposes." (R. p. 40, Art. 5, Sec. 4 (d) (4).)

The Telephone Company reserved a non-exclusive license to make and sell to the Government for Government, but not for commercial or toll uses, or for resale. (R. p. 38, Art. V, Sec. 1.)

It also reserved a non-exclusive license in the wireless telegraph field for its own communication or for convenience or to save expense in connection with its commercial operation of wire telegraphy and wire and wireless telegraphy, but not for profit or in transmitting messages for the public. (R. p. 37, Art. IV, Sec. 2; R. p. 38, Art. V, Sec. 2.)

(3) Under an agreement, also dated July 1, 1920, between the General Electric Company, Telephone Company, respondent and Western Electric Company, the Telephone Company consented to the extension by the General Electric Company of any of the rights the latter company acquired under its license agreement with the Telephone Company. (R. pp. 47, 48.)

The respondent, by virtue of the agreements referred to, thus acquired *exclusive* licenses under the patents in suit in the field in which the Independent Company is alleged to have infringed, viz.: the *commercial* wireless telegraph *receiving* field for toll or profit. Neither the owner of the legal title to the patents, or anyone else, has any rights in that field.

Such were the findings of the Court of Appeals in *Radio Corporation vs. Emerson*, 296 Fed. 51, certiorari denied 265 U. S. 582, and the District and Court of Appeals in the present suit. (R. pp. 51, 60.)

INJURY TO THE RESPONDENT BY THE INFRINGEMENT.

(1) Since July 1, 1920, the respondent, acting under its exclusive licenses, has constructed, maintained and

operated wireless telegraph shore stations, equipped with and employing the patented apparatus, in commercial wireless telegraph transmission and reception for pay or profit with vessels at sea and on the Great Lakes. The respondent built up and has a profitable business in such system of commercial communication, and has a large amount of capital invested therein. (R. pp. 5, 6, Bill, pars. 15, 16.)

This business was seriously interfered with by petitioner's infringement and resulted in serious injury, loss and damage to the respondent. (R. p. 6; Bill, par. 23.)

RESPONDENT CONTENTS:

(1) That title to the patents is in the Telephone Company.

(2) That even if it is held to be in the DeForest Company the suit has been properly brought in its name.

ARGUMENT.

I.

TITLE TO THE PATENTS IN SUIT WAS ASSIGNED TO THE TELEPHONE COMPANY AND THE DeFOREST COMPANY BECAME A MERE NON-EXCLUSIVE LICENSEE.

Petitioner's brief does not discuss in any detail the question of the ownership of the legal title to the patents in suit, but assumes that it is in the DeForest Company.

As appears by the decisions of the courts, that prior to this suit there had been some controversy as to whether this legal title was in the DeForest Company or the Telephone Company. *Radio Corporation v. Hohenstein*, 289 Fed. 758. *Same v. Emerson*, *supra*; *infra*, pp. 14, 15 and *DeForest v. Radio Corporation*, 3 Fed. (2nd) 847, referred to in petitioner's brief.

Respondent has always contended that the title was in the Telephone Company.

The DeForest Company has been brought into this and other suits merely to protect respondent in the event that the DeForest Company is eventually held to have title.

1. THE COMBINATION NECESSARY TO VEST TITLE.

The location of title to the patents in suit depends upon the legal effect of the agreement of March 16, 1917.

An *assignment* is an instrument in writing which conveys the exclusive right to make, use and sell, in the whole or any part of the United States, the whole invention or an undivided part thereof, subject only to the outstanding rights of licensees. It vests the monopoly of the patent, except for such licenses and also the legal title to the patent, in the assignee.

When the transfer is of an interest short of an assignment it is a license and conveys no title, but simply the right to practice the invention of the patent. *Waterman v. Mackenzie*, 138 U. S. 252.

A license amounts to nothing more than a covenant by the patent owner not to sue, or a waiver of the right to exclude.

The patent monopoly is a combination of the common law right to practice the invention and the power to exclude others from practicing the invention in any way. *Bloomer v. McQuewan*, 14 How. 539, 540; *Paper Bag Case*, 210 U. S. 405; *Crown Co. v. Nye Tool Works*, 261 U. S. 24, 34-36.

The latter decision amplifies the previously understood doctrine of the *Paper Bag Case*, so as to make it clear that a patent includes not merely the common law right to make, use and vend, but also as an incident, the power which the Government confers to exclude others from any and all of these rights.

Without this incident, an alleged owner has no more than he had under the common law. With the incident alone, and lacking the common law right, he is not the owner. The combination is necessary to complete the concept of title.

This Court said in the *Crown* case, page 36:

"It is the fact that the patentee has invented or discovered something useful and thus has the common law right to make, use and vend in himself, which induces the Government to clothe him with power to exclude everyone else from making, using or vending it. In other words the patent confers on such common law right the incident of exclusive enjoyment, and it is the common law right with this incident which a patentee or an assignee must have."

Therefore, the significant provisions of the agreement of March 16, 1917, the legal effect of which is to be determined in the present case, are those which have to do with the whereabouts of the rights to exclude in these three fields.

2. THE AGREEMENT OF MARCH 16, 1917.

The first granting paragraph granted to the Western Electric Company (who later transferred its rights to the Telephone Company) a "license" free of royalties to make, use and sell apparatus and systems of the patents.

This grant is then amplified to mark out clearly the rights transferred and those retained by the provision that:

"The said license is granted and to be granted under United States patents only, and for the full terms of the said patents granted or to be granted, and the license is granted *for all transferable rights of said DeForest Company of any kind or nature whatsoever in said inventions, patents and appli-*

cations, except the rights *hereinafter expressly reserved* to itself by the DeForest Company. The said license granted and to be granted to the Western Company is *exclusive*, except for the aforesaid rights now held by the American Telephone & Telegraph Company (these are the rights transferred to Meyers), and except for the rights expressly reserved herein by the DeForest Company."

Thus the grantee acquired all transferable rights, except certain rights "hereinafter expressly reserved" and whatever rights the transferee was thus acquiring were exclusive, except for such reserved rights.

These reserved rights are set forth in the statement of facts (*supra*, pp. 4, 5).

The rights reserved vary with respect to different patents and different applications included within the schedules.

With respect to the patents in suit *no exclusive rights were reserved*.

It is submitted that in determining the question of title, each of the patents and applications must be considered as a separate subject matter. The reservation clauses, therefore, must be read individually for each patent to determine "the legal effect of the provisions", which is the canon we are to apply to determine the question of whether title has passed.

As none of the rights reserved in the patents in suit were exclusive, it is clear that the ownership of such patents passed under this grant, because the right to exclude, coupled with the common law right to enjoy the practice of the invention, is expressly transferred.

Non-exclusive reservations could not diminish the *quantum* of what had been thus transferred.

The limited nature of the rights of the DeForest Company is illustrated by the fact that it could not grant licenses under the patents after this agreement.

It was so held in *American Telephone & Telegraph Company v. Radio Audion Company and DeForest Company*, 281 Fed. 200, 202; affirmed 284 Fed. 1020.

The limited nature of DeForest's rights is also indicated by the fact that it was required, in selling or leasing the patented apparatus under its reserved license, to secure from the purchaser, except the Government, a written agreement covering the use to which the apparatus was to be put (R. p. 19).

The DeForest Company was also required to mark its apparatus in such a way as to indicate the sole use to which it was to be put, and such marking was required to be satisfactory to the Western Company (R. p. 19).

At the conclusion of the agreement, the transferee had become the owner of the right to make, use and sell for all purposes "apparatus and systems embodying, or made or operating in accordance with" the patents in suit; it was also vested with the sole right of exclusion against all persons in all fields—except that it could not exclude the DeForest Company from the limited fields in which its rights were non-exclusive. The combination thus transferred made the transferee the owner.

This conclusion is not weakened by the clause authorizing the Western Company to transfer its rights, assign them, or grant licenses to others. With respect to some of the patents covered by the agreement, title may not have passed (*e. g.*, where the reserved rights were exclusive). In such cases this clause would not be surplusage.

Therefore, after May 24, 1917, and during the remaining term of the patents and throughout the United States and its territories, the Telephone Company, as the assignee of the Western Electric Company, became vested with the title.

3. UNDER THE AUTHORITIES TITLE IS IN THE TELEPHONE COMPANY.

The authorities which have had to do with similar documents and similar controversies are in agreement that a transfer like the one in suit conveys the title.

A. In *Sirocco Engineering Co. v. Monarch Ventilator Co.*, 184 Fed. 84 (S. D. N. Y.), there was a grant of the "sole and exclusive license to manufacture, sell and use" except for specified reservations, *e. g.*, certain special uses of the patent for which was reserved to the grantor, the "sole and exclusive right to manufacture, use and sell". The court held that the ownership passed to the transferee and that the grantor retained a mere license. It is to be noted there that among the rights retained by the grantor were certain "exclusive" rights. The Court said of the document:

"I think that the instrument, although called a license, was in legal effect an assignment. It was a grant of the patent with the reservation of a license to the grantor."

B. In *Frankfort Whiskey Process v. Pepper*, 26 Fed. 336 (S. D. N. Y.), there was a grant in general terms of the entire right to make, use and sell, but reserving a license to use to the extent of a certain daily limited manufacture and also reserving the right to license others. It was held that the grantee became the owner under this grant and could maintain a suit for infringement. Here again it is to be noted that among the rights retained by the grantor was a right to license others. Nevertheless, the general power of exclusion was found to be in the grantee and hence it was held that he had the title.

C. In *Griggs, Cooper & Co. v. Erie Preserving Co.*, 131 Fed. 359 (W. D. N. Y.), there was a transfer of rights under a trade-mark to the plaintiff in certain states, but

reserving a use in those States to the transferor on certain conditions. The court held that the plaintiff acquired ownership under this transfer and could maintain a suit for infringement.

D. In *Andrew Jergens & Co. v. Woodbury, Inc.*, 273 Fed. 952, affirmed 279 Fed. 1016 (Delaware), the court had before it a document purporting to grant "the exclusive license to use the aforesaid neckless head trademark" except in so far as conflicting rights had theretofore been granted to others and except as to the right of the grantor to use the same so long as it continued in business. This court held that that document effected a complete transfer of the ownership, subject to a license reserved by the grantor. In reaching this conclusion, the court relied on the case of *Sirocco Engineering Co. v. Monarch Ventilator Co.*, *supra*.

E. Reference may also be made to *Pope Manufacturing Company v. Clark*, 46 Fed. 789 (Maryland), in which, by an agreement contemporary to an assignment of a patent, the grantor reserved the right to make, use and sell the invention and the grantee agreed not to make a certain device under the invention then being made by the grantor. It was held that the grantee could maintain an action for an infringement because he had the title and that the grantor was a mere licensee.

The patents in suit have been involved in other litigation in the Federal courts in suits brought by the respondent and others against infringers. There are direct intimations in some of the opinions that the document of March 16, 1917 transferred the ownership from the DeForest Company.

F. Judge A. N. Hand, of the Southern District of New York, has squarely held that title passed to the Telephone Company in an opinion, unreported, in *Radio Corporation v. Emerson*. He said:

"The important words of transfer in the present instrument (March 16, 1917) were the words: 'For all transferable rights', etc. These reserved rights, however important, were in terms but 'non-exclusive, non-transferable personal rights'. The residual rights in the patents passed by conveyance. What was reserved was apparently a most extensive personal license. What was left was what would be called in the case of land, a fee. *Littlefield v. Perry*, 21 Wall. 222."

The Court of Appeals and the District Court in the present case (R. p. 51; 297 Fed. 518; R. p. 59; 297 Fed. 521) have both expressed the view that all interest in the patents in suit, except that reserved, passed by the document of March 16, 1917, and that the DeForest Company retained merely a non-exclusive right.

The District Court said (R. p. 51):

X "The Western Company later assigned all its rights in the contract to the American Telephone & Telegraph Company, in whom thereupon there vested all interest in the patents in suit except those reserved to the DeForest Company as above stated."

And again (p. 52) he states:

X "So viewed, all parties are before the court who have any interest in the patents in suit (including 879,532) except the DeForest Company, *and the interests of that company are merely a non-exclusive and personal right to make, sell and use the inventions for its own profit.*"

The Circuit Court of Appeals said (p. 59):

"The Western Company assigned all its rights in the contract to the American Telephone & Telegraph Company, *and therefore all interest in the patents in suit, except that reserved by the DeForest Company vested in the American Telephone & Telegraph Company.*"

4. THE AUTHORITIES DO NOT SUPPORT TITLE IN THE DeFOREST COMPANY.

The District Court in this connection cited *Gayler vs. Wilder*, 10 How. 477 and *Waterman vs. Mackenzie*, *supra*.

Upon a preliminary hearing in the case of *DeForest v. Radio Corporation*, 3 Fed. (2nd) 847, the District Court of Delaware said that, although the question of title was a close one, the Court was inclined to think that title was in the DeForest Company, citing *Littlefield v. Perry*, 21 Wall. 205; *Waterman v. Mackenzie*, *supra*; and *Crown Co. v. Nye Tool Works*, *supra*.

The decisions in the cases cited, it is respectfully suggested, do not support the position that title is in the DeForest Company, but lend very weighty support to the contrary position.

A. *Gayler v. Wilder* was an action *at law* brought by Wilder alone, the owner of the patent, against Gayler for infringement by the manufacture and sale of safes. Wilder, by an agreement, granted to a third party, Herring, the sole and exclusive license to *make and sell only* the patented safes in the City and State of New York and nowhere else, on the payment of certain royalty. Wilder reserved to himself the right to manufacture the safes in the State of New York, provided the manufacture was not within fifty miles of the City of New York, and to sell them outside of the State, but if sold within New York State, he was to pay Herring the same royalty that Herring agreed to pay him.

The defense contended that Wilder had parted with all his interest in the patent by virtue of the agreement with Herring, so that Wilder could not maintain the action. The court held that the agreement was not an assignment of an undivided interest in the whole monopoly, nor an assignment of an exclusive right to the entire monopoly in the State or City of New York, but was a mere license, leaving the title to the patent in

Wilder, by whom the action was properly brought. Reference will later be made to some dicta in this decision, on which the District Court may have placed some reliance.

B. In *Littlefield v. Perry* the documents of transfer were very similar to those now before the court. Littlefield, the patentee, and Perry, the transferee, executed two documents contemporaneously. One granted all the right, title and interest in the patent in consideration of a fixed, continuing payment by the transferee. The other reserved to the grantor the *exclusive* use of the invention in a particular field. There was also a provision that the grantor should protect the grantee against suits for infringement, and that the grantor should sue infringers "in his own name". Perry, the transferee, sued Littlefield, the patentee, for infringement. The defense was that Perry had no suable title, that the transfer conferred a license only; and it was pointed out that the right to sue under the contract was in Littlefield,—but the court held that the transfer was an assignment, and that the reservation left a mere license in the patentee.

This part of the decision entirely disposes of whatever reliance in the case at bar may be placed upon the dictum in *Gayler v. Wilder*, in which Chief Justice Taney remarked:

"But in order to enable him to sue, the assignment must undoubtedly convey to him the entire and unqualified *monopoly* which the patentee held in the territory specified, excluding the patentee himself, as well as others, and any assignment short of this is a mere license."

That dictum is, of course, entirely sound when the word "monopoly" is properly understood. It is not to be taken, however, and *Littlefield v. Perry* expressly so held, as preventing the retention of a non-exclusive license

when the patentee makes an assignment which conveys the title.

The provision with respect to bringing suits in *Littlefield v. Perry* was, if anything, a better argument, that the grantor retained title, than is the corresponding provision in the agreement of March 16, 1917.

In *Littlefield v. Perry*, this power was conferred on Littlefield only; in the present case, it is recognized as existing in both parties. The court, however, had no difficulty with it in the *Littlefield* case, but said:

"It needs only a slight examination of that clause of the contract, however, to become satisfied that it was intended only as a provision for placing on Littlefield the cost and expenses of such litigation, as well as all damages for infringement growing out of the use of the invention by the assignees." See also: *Rude v. Wescott*, 130 U. S. 152.

The paragraph as to suits, etc., in the present case obviously was inserted as a power to sue by either party and to avoid disputes between them over costs and recoveries in such suits, and not as an endowment of title on either party. It was intended to be equally effective as to either party regardless of who held title.

C. In *Waterman v. Mackenzie*, the owner of the patent first gave to Waterman "the sole and exclusive right and license to *manufacture and sell* fountain pen holders, containing the patented improvement, throughout the United States." (The right to use, it may be noted, was not included.) Thereafter, the owner transferred by mesne assignments (by way of a mortgage) to one Shipman the whole patent and invention "except a license to the said Lewis E. Waterman to manufacture and sell pens" (the aforementioned license). Subsequently the owner purported to transfer the entire right, title and interest to Waterman. Waterman brought suit against an infringer, but the court held that

he could not maintain the action for lack of a suable title, because the "whole title" was in Shipman (to use the language of Mr. Justice Gray).

It is to be noted there that whatever rights Shipman received were diminished by and subject to the important *exclusive* licenses then outstanding in Waterman, and that when these exclusive licenses are compared with the non-exclusive rights reserved by the plaintiff in the present suit, the importance of the decision in *Waterman v. Mackenzie* is apparent.

The legal effect of the provisions in *Waterman v. Mackenzie* was to transfer much less than was transferred by the document of March 16, 1917, to the Western Electric Company. By that rule of construction, the case is an important authority for the respondent.

D. *Crown Co. v. Nye Tool Works* did not involve the construction of documents of title.

The case held that the assignee of claims for damages, profits, etc., then existing or subsequently arising against a single infringer, together with the right to exclude that particular infringer, acquired no right or interest in the patent and was not entitled to sue under the patent laws without joining the owner of the patent. The words transferring these rights in that case were clear and unambiguous, and did not purport to transfer more than a mere right to sue a single infringer.

Insofar as that case in any way involves the question of the effect of a documentary transfer, it is no authority that title is in the DeForest Company.

These cases then offer no authority from which the conclusion that the DeForest Company retained title, can be deduced.

It is submitted that the agreement in question must be construed according to the canon laid down by Mr. Justice Gray, i. e., "upon the legal effect of its provisions", and that it is clear that the effect of these

provisions was to transfer ownership with the reservation to the DeForest Company of certain *non-exclusive* rights for specific uses.

Therefore the DeForest Company is not an indispensable or necessary party to this suit, and as the Telephone Company is properly a party defendant, the owner of the legal title to the patents is before the court.

It makes no difference on which side of the "vs" the owner is placed, for equity will conform its decree so that justice may be done and all parties protected. *General Equity Rule 37; Littlefield v. Perry, supra; Radio Corporation v. Emerson, supra.*

Assuming, however, that title is vested in the DeForest Company, the suit has been properly brought in its name.

II.

THE DEFOREST COMPANY WAS NOT JOINED AS A PARTY WITHOUT ITS CONSENT.

1. THE EXPRESS CONSENT OF THE DEFOREST COMPANY.

The clause of the agreement of March 16, 1917, with reference to suits for infringement, provides that not only the DeForest Company, but the Western Electric Company, and its assigns, may institute suits for infringement of the patents in the field in which they possess rights (R. p. 19).

At the time this agreement was made it was a well known rule of law that a licensee could not sue alone to protect the licensed rights, but that such a suit should be brought through or in the name of the patent owner at law, and in equity, joining the licensee as a party if necessary to protect the rights of all parties. R. S. Sec. 4919. *Waterman v. Mackenzie, supra.*

In view of this rule, it must have been the intention of the DeForest Company by the clause as to suits, assuming for the sake of argument that title did not pass, to grant to the Telephone Company and its sub-licensees the power and authority to bring a suit for an infringement in the field of its licensed rights, in the name of the DeForest Company or by joining it as a party.

As the rights of the Western Electric Company were freely transferable there is no reason why this right was not also conferred on respondent, who derives its exclusive license indirectly from that Company and the DeForest Company.

Moreover, as will be later pointed out, the right of an exclusive licensee to sue, in the name of the licensor or patent owner, or to join him in a suit, to protect the licensed rights from invasion, is implied from the license contract.

It is therefore submitted that the DeForest Company, assuming that it had not parted with the title to the patent, was not made a party plaintiff without its consent, but was joined under the power and authority expressly granted by it in the agreement of March 16, 1917.

2. THE DEFOREST COMPANY WAS JOINED AS A PARTY WITH ITS CONSENT IMPLIED FROM THE AGREEMENT OF MARCH 16, 1917.

This point is not new. The principle on which it rests was adopted and approved in the following cases prior to the decision of the Court of Appeals in the present case: *Brush Electric Co. v. California Electric Co.*, (9 C. C. A.) 52 F. R. 945, 952-954; *Excelsior Wooden Pipe Co. v. Allen*, 104 F. R. 553 (9 C. C. A.); *Excelsior v. Seattle*, 117 F. R. 140 (9 C. C. A.); *Hurd v. Goold*, (2 C. C. A.) 203 F. R. 998; *Brush-Swan Electric Co. v. Thompson-Houston*, 48 F. R. 224 (Conn.); *Radio Cor-*

poration v. Emerson, supra; Chisholm vs. Johnson, 106 F. R. 191, 212 (Del.); *Goodyear v. Bishop*, 2 Fish. Pat. Cas. 96; *Goodyear v. Burney*, 3 Blatch. 32.

See also *Walker on Patents* (5th Ed.) Sec. 400; *Foster Federal Practice* (6th Ed.) 689, Sec. 112; *Hopkins on Patents*, 504, Sec. 376.

The principle of these cases is based upon the fact that the owner of the patent has granted exclusive rights thereunder which are being infringed. Such rights cannot be protected from infringement except by a suit in which the patent owner is a party. The owner is given an opportunity to appear voluntarily in such suit, but he cannot or will not join as a plaintiff and cannot be made a defendant because he is outside the jurisdiction of the Court.

Under such circumstances, the right of the licensee to join the owner as a party plaintiff, or to sue in his name, is implied from the license contract, and he is in court on his implied consent. This is necessary to prevent a *failure of justice*, as the exclusive licensee would otherwise be without a remedy to prevent the continued invasion of his exclusive rights.

The patent owner's refusal to join in the suit is an interference with, and tends to defeat the license granted by him.

The situation in the case at bar is in principle the same as if the patent owner were the infringer, for the patent owner, in effect, is aiding the continued infringement by refusing to join in a suit against the infringer.

Under such circumstances or where the patent owner cannot sue and is within the jurisdiction of the Court, Courts of Equity have allowed the suit to proceed for the benefit of the licensee by permitting him to make the owner a party defendant. *Littlefield v. Perry, supra*, *Libbey Glass Co. v. McKee*, 216 Fed. 172, 178; affirmed 220 Fed. 672; *Wilson v. Chickering*, 14 Fed. 917, 919; *Brammer v. Jones*, Fed. cases 1806; 4 Fed. Cases 11, 12.

The Court of Appeals very properly did not leave such an exclusive licensee as the respondent, owning valuable and exclusive rights under these important patents, without a remedy for the infringement of such rights.

The Court of Appeals decision therefore was not only based on authority but is sound in principle and is in the furtherance of justice.

The District Court, however, held that the doctrine of the *Brush* and other cases where the patent owner was joined as a plaintiff by the licensee was no longer in force, in view of the decision in *Crown* case, while the petitioner contends that the Court of Appeals decision is inconsistent with the *Crown* case.

3. THE DOCTRINE FORMULATED IN THE BRUSH CASES HAS NOT BEEN DISTURBED BY THIS COURT.

The decision of the District Court in the present case was, we believe, engendered by a misapprehension of the facts and of the holding in the *Crown* case. In his opinion, Judge Learned Hand stated (R. p. 53) that in the *Crown* case

“The owner had given the plaintiff an express license to sue an infringer on the plaintiff’s own behalf. This the licensee did and was defeated for defect of title. I cannot suppose that this decision turned only upon the failure of the plaintiff to add the name of the owner to the caption, because the whole discussion forbids it and because the bill in that event would certainly not have been dismissed without leave to plead over. The defect was one of substance going to the insufficiency of the plaintiff’s title, which could have been cured only by the actual presence in the suit of the owner.”

The *Crown* case involved the validity of a new form of assignment. The assignment was an attempt to convey an interest in the patent against one infringer with

the right to sue him, without joining the owner of all other right, title and interest in the patent.

The plaintiff there *had no license* to practice the invention of the patent in suit, either exclusive or non-exclusive; it had no right to make, to use, or to sell the patented apparatus for any purpose.

It is respectfully submitted that the point actually decided in the *Crown* case was that the assignment there considered did not transfer any part of the title or interest in the patent. The assignee had no right to protect or exclude, and he did not acquire the right to sue without joining the owner of the patent as a party to the suit.

We also submit that the opinion of the District Court in the present case and petitioner's brief show a substantial misconception of the facts of the *Crown* case and of the scope of the decision therein. We fail to see how that case is inconsistent with the Court of Appeals decision in this suit or affects the doctrine of the *Brush* cases.

As stated, the fundamental theory of those decisions is the implication of the grant of a right to *protect* an *exclusive* license, such implied right arising by practical necessity by virtue of the *exclusive* nature of the license granted. There being no such necessity under the facts of the *Crown* case, the question of whether such implied right was granted could not arise.

Petitioner's brief in this connection (pp. 13, 14) refers to the cases of respondent against *Hohenstein* (289 Fed. 757) and respondent against *Emerson* (296 Fed. 51).

In the former case the Court of Appeals followed this court's decision in the *Crown* case, as the respondent was suing *alone* on an assignment similar to that in the *Crown* case, and not as an exclusive licensee.

In the *Emerson* case an amended bill was filed. After Judge A. N. Hand's decision under the original bill, in which respondent also sued alone on the same form

of assignment and not as an exclusive licensee, the De-Forest Company joined and signed the amended bill as a party plaintiff, and in which the Telephone Company (who was within the jurisdiction of the Court) was joined as a defendant. When the case reached the Court of Appeals, it was conceded that title to the patents in suit was in the Telephone Company, but Emerson contended that the respondent was not an exclusive licensee, was not a proper party, and that the suit could not be prosecuted with the Telephone Company, the owner of the patent, as a party defendant. The Court of Appeals held that the respondent was an exclusive licensee in certain fields, and as such had the right to join the Telephone Company as a defendant, where it refused to join as a plaintiff in the suit for infringement of respondent's exclusive rights. The Court also held that the question of ownership as between the two claimants who were parties could be determined at the trial, and that a decree could be made protecting all parties whether the owner appeared as plaintiff or defendant (296 Fed. 51; certiorari denied, 265 U. S. 582).

It is submitted that the doctrine of the *Brush* cases is not merely one of justice and convenience but is also in accord with the rules established in analogous cases.

III.

THE ANALOGY OF ASSIGNMENTS OF CHOSES IN ACTION AT COMMON LAW.

At common law, a chose in action was not assignable. This rule, however, did not prevent courts of law giving the assignee a remedy; he was permitted to sue in the name of his assignor, and he did not have to, and in fact could not, go into a court of equity to do so. 3 *Pomeroy's Equity Jurisprudence* (4th Ed.) 3064, section 1272; *N. Y. Guaranty Co. v. Memphis Water Co.*, 107 U. S. 205.

Also, the court of law protected an assignee of such a character against a hostile assignor. As this Court (Justice Story) said in *Mandeville v. Welch*, 5 Wheat. 277, at page 283:

“It has been long since settled, that where a chose in action is assigned by the owner, he shall not be permitted fraudulently to interfere and defeat the rights of the assignee in the prosecution of any suit to enforce those rights.”

In that case (which was dismissed on the ground that the assignment was only partial), it appears that the action had not been authorized by the assignor (pages 279-280).

The assignee's right to sue at law in the name of his assignor is based upon a term, implied by law in every assignment of a chose in action, by which there is granted to the assignee a power of attorney to sue in the name of the assignor. *James v. Newton*, 142 Mass. 366, 371; *Duffield v. Elwes*, 1 Bligh. N. R. 497, 506 (English); *Williston on Contracts*, section 408; 1 *Spence Eq. Jur.* (1846) 181; 2 *Blackstone's Comm.* 442.

The phrase “in the name of”, as used in Section 4919 of the Revised Statute had, at the time of its first enactment of the patent statute of 1836, a well understood meaning. It had acquired such a meaning in connection with actions on assigned choses in action where it was used to refer to actions brought by an assignee when he joined his assignor as a nominal co-plaintiff, whether with or without the latter's consent.

Therefore, the rules of statutory construction require that that meaning be given the words here. *The Abbotsford*, 98 U. S. 440.

Further, another rule of statutory construction sustains respondent's contention, viz.: that every word in a statute is presumed to have been placed there for a purpose. *U. S. v. Ninety-nine Diamonds*, 139 Fed. 961, 963. Thus, Congress, using the words “in the name of”

instead of merely "by", authorized actions to be brought in the manner of actions on assigned choses in action—as was the case at bar.

IV.

THE ANALOGY OF ASSIGNMENTS OF CLAIMS FOR DAMAGES FOR PAST INFRINGEMENT.

The assignee of a claim for damages on account of the infringement of a patent is today and always has been in the position of the assignee of a chose in action at common law. This is because of the limitation contained in section 4919 of the Revised Statutes to the effect that actions at law shall be brought "*in the name of * * * patentee, assignee, or grantee.*" In *Waterman v. Mackenzie, supra*, it was held that this statutory provision was also controlling upon a court of equity.

The only difference between the assignments of choses in action at common law and assignments of claims for damages on account of patent infringement lies in the fact that the former were not recognized at law because of legal conservatism and the latter are not recognized at law because of the statute. The effect of the former could therefore be, and has been, in most jurisdictions, changed by legal progressiveness; the effect of the latter can be changed only by Congress.

Thus, the *common law rules* as to assignees of choses in action apply today with complete analogy to assignments of rights under Letters Patent which do not, technically, pass an *interest* in the title to the patent; in each case, the assignment passes no title which is recognized by a court of law but does, nevertheless, give to the assignee a right which such courts will protect.

Thus, the assignee of an infringement damage claim may sue at law in the name of his assignor—following R. S. sec. 4919 explicitly. (*Crown v. Nye, supra.*)

Such assignee could not formerly sue in equity in

his own name (*Hayward v. Andrews*, 106 U. S. 672), nor can he do so under modern revised practice (*Crown Co. v. Nye, supra*).

Since the right to sue in the assignor's name is based upon a power of attorney, which is implied at law, it necessarily follows that the assignee may invoke that right whether or not the assignor expressly consents and whether or not he objects to such use of his name. *Massachusetts Co. v. Kidd*, 142 Fed. 285, 286; *Foss v. Bank*, 111 Mass. 285; *Bates v. Kempton*, 73 Mass. (7 Gray) 382; *Grover v. Grover*, 24 Pick. (Mass.) 261; *Sumner v. Sleeth*, 87 Ill. 500; *St. Albans Co. v. Elwell*, 88 Vt. 479.

There are *dicta* in certain cases (see *Hayward v. Andrews, supra*, and cases cited) to the effect that, if the assignor refuses to permit the use of his name as nominal plaintiff, the assignee may then sue in equity. It is submitted, however, that these *dicta* are not supported by the authorities and that they overlook the fundamental premise upon which the right to sue in the assignor's name is based.

The true rule is, we submit, set forth in the cases last cited—namely, that the assignee may sue at law in the assignor's name under all circumstances.

V.

THE RULE OF THE ANALOGOUS CASES SHOULD BE APPLIED HERE.

An exclusive licensee under a patent stands in a position very closely analogous to that of the assignee of a claim for past damages. He is entitled to relief because of a contract with his licensor but he cannot sue in his own name because of a limitation imposed upon him by law. If he is not given such relief, his license rights are seriously impaired.

The law side of the court has worked out a remedy in the analogous case of an assignment: if equity does not apply such remedy in the case of an exclusive license, we would have a situation where equity fails to give relief although law does give relief to the fullest extent of which legal judgments are capable.

In the *Brush* cases, equity afforded such relief, and we submit that the rule established by those cases is more logical than the settled rule permitting the joinder, by the exclusive licensee, of the patent owner as a party defendant under certain circumstances. The rule of the *Brush* cases comes strictly within the terms of the statute which is more than can be said of the other rule.

If equity is sufficiently liberal to permit the patent owner to be brought before it as a defendant for the purpose of protecting an exclusive licensee, we fail to understand why it should not, for the same purpose, be sufficiently liberal to interpret the phrase "in the name of", as used in sec. 4919 R. S., according to the recognized meaning of that phrase at the time of the enactment of the statute. In fact, as has been already stated, such interpretation must be made.

We also fail to understand why the power of attorney should not be implied for the purpose of making effective the exclusive license as well as for the purpose of making effective an assignment of a claim for past damages.

Therefore, it is submitted, section 4919 of the Revised Statutes expressly authorizes the joining the DeForest Company as a co-plaintiff herein in the manner in which it is joined.

Several points are attempted to be made against respondent's contentions herein; they include (1) the alleged division of the patent monopoly through the possibility that the petitioner would be subjected to other suits; (2) that respondent is not such an exclusive licensee as can avail itself of the rule established in the *Brush* cases; and (3) that this suit is not brought "in the name

of" the DeForest Company within the meaning of that rule and the statute.

VI.

PETITIONER WILL NOT BE SUBJECTED TO FURTHER SUITS FOR THE SAME INFRINGING ACT AND THERE IS NO DIVISION OF THE MONOPOLY OF THE PATENTS.

The main objection of the petitioner to the procedure adopted herein is that it will be subject to a second suit for recovery by the DeForest Company and on this ground it rests its contention of dividing up the monopoly of the patents.

The possibility that petitioner may be sued by the DeForest Company alone or with others for other infringement in fields other than those which are exclusive in the respondent, or in other words, for a different infringing act is beside the point. There is no rule against separate suits by the proper party or parties on account of each separate act of infringement whether based on the invasion of exclusive licensed rights or the patent owner's interest.

No evils have or will arise out of such procedure. It does not result in the division of the monopoly of the patent within the same limits, as might have been the result if the assignment in the *Crown* case to exclude a single infringer had been sustained and the assignee had been permitted to sue the infringer, without joining the owner of all other rights and interests in the patent.

Furthermore under the facts in the case at bar there is no legal possibility of a second suit by the DeForest Company or the respondent against the petitioner on account of the acts charged in the bill as infringement.

The decree herein will be *res adjudicata* in any subsequent suit brought against the petitioner for the same infringement, whether brought by the DeForest Company or any exclusive licensee; for the patent owner would be a necessary party thereto and the doctrine of *res adjudicata* would apply.

Even the District Court in the present case pointed out that the petitioner could not be subjected to a second suit for the acts charged in the present suit. That court said (R. p. 52):

"The reason usually given for the doctrine is that the infringer will be subject to two suits unless all the parties are joined who have an interest in the patent. Yet, so far as I can see, if the outstanding interest is only a personal right to make, sell and use the invention, there is no possibility of a second suit. The licensor in that case, having no right to exclude anyone, could not sue the infringer."

The present case, under the pleadings, involves no possible infraction of any exclusive rights except those of the respondent, since it and it alone owns all rights in the field of receiving commercial wireless telegraphy for pay or profit, which was invaded by the petitioner; neither the DeForest Company, General Electric Company, nor the Telephone Company has reserved any rights in that field, either exclusive or non-exclusive.

The non-exclusive right of the DeForest Company to distribute news emphasized in petitioner's brief is not in the infringing field. Neither is the Telephone Company's limited right for wireless telegraphy, in the infringing field.

If the DeForest Company alone, as owner of the legal title, should bring a suit against the petitioner on account of the acts charged here, the respondent, as exclusive licensee, would, we submit, be a necessary party thereto.

As the Court of Appeals said in the *Emerson* case, *supra*:

"In suits for infringement for invasion of the fields covered by these licenses, the appellants could, in equity, properly plead the absence of the Radio Corporation as a party."

See also: *Waterman vs. Mackenzie*, *supra*; *Birdsell v. Shaliol*, 112 U. S. 484; *Daimler v. Conklin*, 145 Fed. 955, 956; *Chisholm v. Johnson*, 106 Fed. 191, 212; *Wal-lach v. Wigmore*, 87 Fed. 469; *Dietz v. Ham Co.*, 47 Fed. 320, 321; *Hammond v. Hunt*, Fed. Case No. 6,003; 4 Ban. & A. 111.

The decision herein would also then be *res adjudicata* as against the petitioner, and that would be sufficient to defeat the suit.

In a case such as that at bar, none of the patented rights which are infringed remain in the patent owner. Whether he joins as plaintiff willingly or not, he can be nothing more, in the eyes of an equity court, than a nominal or formal party. He has no existent or potential substantial rights which are to be protected—he is only a necessary party because the statute makes him so.

The fact that he has certain non-exclusive license does not make him a necessary party to a patent infringement suit.

Walker on Patents (5th Ed.), sec. 400; *Blair v. Lippincott Glass Co.*, 52 Fed. 226.

The DeForest Company was joined in this and other suits so that all questions might be determined and if it was eventually held to be vested with title, the suit would not fail because of its absence as a party.

Under the circumstances of this case, as above set forth, it is submitted that it is clearly immaterial to petitioner whether the DeForest Company is an actual party or whether the suit is merely brought in its name, since petitioner is not subject to further suits on account of the infringement complained of.

VII.

THE CHARACTER OF RESPONDENT'S LICENSE
IS SUCH AS TO ENTITLE IT TO SUE IN THE
NAME OF THE PATENT OWNER.

We believe that this point has also been properly disposed of by the Court of Appeals in the *Emerson* case. The Court of Appeals in the case at bar, quoting from its opinion in the *Emerson* case, said in respect to the licenses of the respondent had (R. p. 60):

"the sole right to use and sell radio devices and vacuum tubes employing the inventions in suit in the fields above described where toll or profit was made; in other words, for commercial communication between ships, airplanes and automotive devices. The owner of the patents and all others were excluded from such fields. The radio amateur field is covered by a license to sell the patent devices or tubes granted to the Radio Corporation with some reservations to sell under limited conditions to the DeForest Company. With the exception of the personal non-exclusive and non-transferable license of the DeForest Company, the Radio Corporation's interest or right in this field is also exclusive. We regard these interests of the Radio Corporation as property rights, and such exclusive interests and rights were apparently very valuable. The Radio Corporation is therefore in the position of an exclusive licensee under the DeForest patents."

As already pointed out, neither the DeForest, Telephone or General Electric Companies or any one has any rights in the portion of the respondent's exclusive field in which the petitioner is infringing.

Respondent therefore has rights not only as against its licensors, but all others who invade its exclusive fields. Hence respondent's right is not a mere right by contract to prevent its licensors from infringing in its exclusive field.

The principle underlying the rule of protecting exclusive rights of a licensee applies whether the right be to make or sell or use generally or for a specific purpose or in a particular territory.

The fact that respondent has only an exclusive license for certain purposes, and not exclusive territorial rights to make, use and sell generally, or an undivided interest in the whole patent, is immaterial under the facts of the case at bar.

We need only point out that respondent does not claim to be the assignee of the patents or of any part of the title thereto; it merely claims to be a licensee under the patents, having rights which the DeForest Company, indirectly, has contracted, should be exclusive, that petitioner has infringed those rights and respondent has brought this suit in the name of the DeForest Company to prevent that infringement after the refusal of that Company to sign the bill.

In passing it may be said that this court may take judicial notice that in these days of the extensive use of patented inventions, including radio devices, and under modern industrial conditions where manufacturers specialize in certain fields, patent rights are not generally divided up territorially, but are more generally divided into fields or uses to which the inventions are applicable.

VIII.

THIS SUIT IS BROUGHT "IN THE NAME OF"
THE DEFOREST COMPANY WITHIN THE
STATUTE AND THE DOCTRINE OF THE
BRUSH AND ANALOGOUS CASES.

The District Court held that the name of the DeForest Company had been simply added to the caption of the bill.

The DeForest Company is not only named in the caption, but throughout the bill as a party plaintiff. The

bill is signed and verified by respondent and signed by one of its solicitors.

General Equity Rule 25, stating the necessary contents of the bill of complaint, requires in the first paragraph thereof the full name, citizenship, and residence of each party; this information, so far as the DeForest Company is concerned, appears in paragraph 1 of the bill (R. p. 1). Rule 25 does not call for the signature of the plaintiff, but says:

“If special relief pending the suit is desired the bill should be verified by the oath of the plaintiff, or someone having knowledge of the facts upon which such relief is asked.”

Respondent has not here sought “special relief.” However, as to this requirement, it is submitted that the Court of Appeals was correct in holding (1) that verification by respondent complies with both the terms and the spirit of the last clause of the rule (see also *Goodyear v. Allen*, 6 Blatch. 33), and (2) that verification is not necessary until the desired special relief be actually sought, by motion or otherwise.

As the Court of Appeals stated, the name of the DeForest Company might have been signed to the bill either by respondent or its solicitors, as its agents under the power of attorney, but we believe this Court will understand why respondent’s counsel hesitated to advise such a course. If such signature to the bill is a necessary formality, the lack of it can, as stated by the Court of Appeals, be corrected by amendment.

It is respectfully submitted that the decree of the Circuit Court of Appeals should be affirmed.

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